



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

SB2768

Introduced 1/20/2006, by Sen. Larry K. Bomke

SYNOPSIS AS INTRODUCED:

40 ILCS 5/14-119	from Ch. 108 1/2, par. 14-119
40 ILCS 5/14-121	from Ch. 108 1/2, par. 14-121
40 ILCS 5/14-133	from Ch. 108 1/2, par. 14-133
40 ILCS 5/14-152.1	

Amends the State Employee Article of the Pension Code to remove the Social Security offset against existing widow and survivor annuities and for all annuitants, beginning January 1, 2007. Provides that, after January 1, 2007, covered employees may elect to have the Social Security offset removed from their widows' or survivors' annuity by increasing their retirement contribution by 0.5%. Exempts the changes from the provisions of the Article concerning new benefit increases. Effective immediately.

LRB094 19134 AMC 54659 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

1 AN ACT in relation to public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Pension Code is amended by changing
5 Sections 14-119, 14-121, 14-133, and 14-152.1 as follows:

6 (40 ILCS 5/14-119) (from Ch. 108 1/2, par. 14-119)

7 Sec. 14-119. Amount of widow's annuity.

8 (a) The widow's annuity shall be 50% of the amount of
9 retirement annuity payable to the member on the date of death
10 while on retirement if an annuitant, or on the date of his
11 death while in service if an employee, regardless of his age on
12 such date, or on the date of withdrawal if death occurred after
13 termination of service under the conditions prescribed in the
14 preceding Section.

15 (b) If an eligible widow, regardless of age, has in her
16 care any unmarried child or children of the member under age 18
17 (under age 22 if a full-time student), the widow's annuity
18 shall be increased in the amount of 5% of the retirement
19 annuity for each such child, but the combined payments for a
20 widow and children shall not exceed 66 2/3% of the member's
21 earned retirement annuity.

22 The amount of retirement annuity from which the widow's
23 annuity is derived shall be that earned by the member without
24 regard to whether he attained age 60 prior to his withdrawal
25 under the conditions stated or prior to his death.

26 (c) Adopted children shall be considered as children of the
27 member only if the proceedings for adoption were commenced at
28 least 1 year prior to the member's death.

29 Marriage of a child shall render the child ineligible for
30 further consideration in the increase in the amount of the
31 widow's annuity.

32 Attainment of age 18 (age 22 if a full-time student) shall

1 render a child ineligible for further consideration in the
2 increase of the widow's annuity, but the annuity to the widow
3 shall be continued thereafter, without regard to her age at
4 that time.

5 (d) Until January 1, 2007, a widow's annuity payable on
6 account of any covered employee who has ~~shall have~~ been a
7 covered employee for at least 18 months shall be reduced by 1/2
8 of the amount of survivors benefits to which his beneficiaries
9 are eligible under the provisions of the Federal Social
10 Security Act, except that (1) the amount of any widow's annuity
11 payable under this Article shall not be reduced by reason of
12 any increase under that Act which occurs after the offset
13 required by this subsection is first applied to that annuity,
14 and (2) for benefits granted on or after January 1, 1992, the
15 offset under this subsection (d) shall not exceed 50% of the
16 amount of widow's annuity otherwise payable.

17 Beginning January 1, 2007, the offset under this subsection
18 (d) shall no longer be applied to any existing widow's annuity,
19 nor shall the offset under this subsection (d) be applied to
20 the widow of any person who began receiving a retirement
21 annuity before January 1, 2007.

22 (e) Upon the death of a recipient of a widow's annuity the
23 excess, if any, of the member's accumulated contributions plus
24 credited interest over all annuity payments to the member and
25 widow, exclusive of the \$500 lump sum payment, shall be paid to
26 the named beneficiary of the widow, or if none has been named,
27 to the estate of the widow, provided no reversionary annuity is
28 payable.

29 (f) On January 1, 1981, any recipient of a widow's annuity
30 who was receiving a widow's annuity on or before January 1,
31 1971, shall have her widow's annuity then being paid increased
32 by 1% for each full year which has elapsed from the date the
33 widow's annuity began. On January 1, 1982, any recipient of a
34 widow's annuity who began receiving a widow's annuity after
35 January 1, 1971, but before January 1, 1981, shall have her
36 widow's annuity then being paid increased by 1% for each full

1 year which has elapsed from the date the widow's annuity began.
2 On January 1, 1987, any recipient of a widow's annuity who
3 began receiving the widow's annuity on or before January 1,
4 1977, shall have the monthly widow's annuity increased by \$1
5 for each full year which has elapsed since the date the annuity
6 began.

7 (g) Beginning January 1, 1990, every widow's annuity shall
8 be increased (1) on each January 1 occurring on or after the
9 commencement of the annuity if the deceased member died while
10 receiving a retirement annuity, or (2) in other cases, on each
11 January 1 occurring on or after the first anniversary of the
12 commencement of the annuity, by an amount equal to 3% of the
13 current amount of the annuity, including any previous increases
14 under this Article. Such increases shall apply without regard
15 to whether the deceased member was in service on or after the
16 effective date of Public Act 86-1488, but shall not accrue for
17 any period prior to January 1, 1990.

18 (Source: P.A. 90-448, eff. 8-16-97.)

19 (40 ILCS 5/14-121) (from Ch. 108 1/2, par. 14-121)

20 Sec. 14-121. Amount of survivors annuity. A survivors
21 annuity beneficiary shall be entitled upon death of the member
22 to a single sum payment of \$1,000, payable pro rata among all
23 persons entitled thereto, together with a survivors annuity
24 payable at the rates and under the conditions specified in this
25 Article.

26 (a) If the survivors annuity beneficiary is a spouse, the
27 survivors annuity shall be 30% of final average compensation
28 subject to a maximum payment of \$400 per month.

29 (b) If an eligible child or children under the care of a
30 spouse also survives the member, such spouse as natural
31 guardian of the child or children shall receive, in addition to
32 the foregoing annuity, 20% of final average compensation on
33 account of each such child and 10% of final average
34 compensation divided pro rata among such children, subject to a
35 maximum payment on account of all survivor annuity

1 beneficiaries of \$600 per month, or 80% of the member's final
2 average compensation, whichever is the lesser.

3 (c) If the survivors annuity beneficiary or beneficiaries
4 consists of an unmarried child or children, the amount of
5 survivors annuity shall be 20% of final average compensation to
6 each child, and 10% of final average compensation divided pro
7 rata among all such children entitled to such annuity, subject
8 to a maximum payment to all children combined of \$600 per month
9 or 80% of the member's final average compensation, whichever is
10 the lesser.

11 (d) If the survivors annuity beneficiary is one or more
12 dependent parents, the annuity shall be 20% of final average
13 compensation to each parent and 10% of final average
14 compensation divided pro rata among the parents who qualify for
15 this annuity, subject to a maximum payment to both dependent
16 parents of \$400 per month.

17 (e) The survivors annuity to the spouse, children or
18 dependent parents of a member whose death occurs after the date
19 of last withdrawal, or after retirement, or while in service
20 following reentry into service after retirement but before
21 completing 1 1/2 years of additional creditable service, shall
22 not exceed the lesser of 80% of the member's earned retirement
23 annuity at the date of death or the maximum previously
24 established in this Section.

25 (f) In applying the limitation prescribed on the combined
26 payments to 2 or more survivors annuity beneficiaries, the
27 annuity on account of each beneficiary shall be reduced pro
28 rata until such time as the number of beneficiaries makes the
29 reduction no longer applicable.

30 (g) Until January 1, 2007, a survivors annuity payable on
31 account of any covered employee who has ~~shall have~~ been a
32 covered employee for at least 18 months at date of death or
33 last withdrawal, whichever is the later, shall be reduced by
34 1/2 of the survivors benefits to which his beneficiaries are
35 eligible under the federal Social Security Act, except that (1)
36 the survivors annuity payable under this Article shall not be

1 reduced by any increase under that Act which occurs after the
2 offset required by this subsection is first applied to that
3 annuity, (2) for benefits granted on or after January 1, 1992,
4 the offset under this subsection (g) shall not exceed 50% of
5 the amount of survivors annuity otherwise payable.

6 Beginning January 1, 2007, the offset under this subsection
7 (g) shall no longer be applied to any existing survivors
8 annuity, nor shall the offset under this subsection (g) be
9 applied to the survivor of any person who began receiving a
10 retirement annuity before January 1, 2007.

11 (h) The minimum payment to a beneficiary hereunder shall be
12 \$60 per month, which shall be reduced in accordance with the
13 limitation prescribed on the combined payments to all
14 beneficiaries of a member.

15 (i) Subject to the conditions set forth in Section 14-120,
16 the minimum total survivors annuity benefit payable to the
17 survivors annuity beneficiaries of a deceased member or
18 annuitant whose death occurs on or after January 1, 1984, shall
19 be 50% of the amount of retirement annuity that was or would
20 have been payable to the deceased on the date of death,
21 regardless of the age of the deceased on such date. If the
22 minimum total benefit provided by this subsection exceeds the
23 maximum otherwise imposed by this Section, the minimum total
24 benefit shall nevertheless be payable. Any increase in the
25 total survivors annuity benefit resulting from the operation of
26 this subsection shall be divided among the survivors annuity
27 beneficiaries of the deceased in proportion to their shares of
28 the total survivors annuity benefit otherwise payable under
29 this Section.

30 (j) Any survivors annuity beneficiary whose annuity
31 terminates due to any condition specified in this Article other
32 than death shall be entitled to a refund of the excess, if any,
33 of the accumulated contributions of the member plus credited
34 interest over all payments to the member and beneficiary or
35 beneficiaries, exclusive of the single sum payment of \$1,000,
36 provided no future survivors or reversionary annuity benefits

1 are payable.

2 (k) Upon the death of the last eligible recipient of a
3 survivors annuity the excess, if any, of the member's
4 accumulated contributions plus credited interest over all
5 annuity payments to the member and survivors exclusive of the
6 single sum payment of \$1000, shall be paid to the named
7 beneficiary of the last eligible survivor, or if none has been
8 named, to the estate of the last eligible survivor, provided no
9 reversionary annuity is payable.

10 (l) On January 1, 1981, any survivor who was receiving a
11 survivors annuity on or before January 1, 1971, shall have his
12 survivors annuity then being paid increased by 1% for each full
13 year which has elapsed from the date the annuity began. On
14 January 1, 1982, any survivor who began receiving a survivor's
15 annuity after January 1, 1971, but before January 1, 1981,
16 shall have his survivor's annuity then being paid increased by
17 1% for each full year that has elapsed from the date the
18 annuity began. On January 1, 1987, any survivor who began
19 receiving a survivor's annuity on or before January 1, 1977,
20 shall have the monthly survivor's annuity increased by \$1 for
21 each full year which has elapsed since the date the survivor's
22 annuity began.

23 (m) Beginning January 1, 1990, every survivor's annuity
24 shall be increased (1) on each January 1 occurring on or after
25 the commencement of the annuity if the deceased member died
26 while receiving a retirement annuity, or (2) in other cases, on
27 each January 1 occurring on or after the first anniversary of
28 the commencement of the annuity, by an amount equal to 3% of
29 the current amount of the annuity, including any previous
30 increases under this Article. Such increases shall apply
31 without regard to whether the deceased member was in service on
32 or after the effective date of Public Act 86-1488, but shall
33 not accrue for any period prior to January 1, 1990.

34 (Source: P.A. 86-273; 86-1488; 87-794.)

35 (40 ILCS 5/14-133) (from Ch. 108 1/2, par. 14-133)

1 Sec. 14-133. Contributions on behalf of members.

2 (a) Each participating employee shall make contributions
3 to the System, based on the employee's compensation, as
4 follows:

5 (1) Covered employees, except as indicated below, 3.5%
6 for retirement annuity, and 0.5% for a widow or survivors
7 annuity;

8 (1.5) After January 1, 2007, all covered employees,
9 including covered employees under items (4) and (5), may
10 elect to have the Social Security offset removed from their
11 widows' or survivors' annuity by increasing their
12 retirement contribution by 0.5%. This election must be made
13 within the time periods established by the System by rule.

14 (2) Noncovered employees, except as indicated below,
15 7% for retirement annuity and 1% for a widow or survivors
16 annuity;

17 (3) Noncovered employees serving in a position in which
18 "eligible creditable service" as defined in Section 14-110
19 may be earned, 1% for a widow or survivors annuity plus the
20 following amount for retirement annuity: 8.5% through
21 December 31, 2001; 9.5% in 2002; 10.5% in 2003; and 11.5%
22 in 2004 and thereafter;

23 (4) Covered employees serving in a position in which
24 "eligible creditable service" as defined in Section 14-110
25 may be earned, 0.5% for a widow or survivors annuity plus
26 the following amount for retirement annuity: 5% through
27 December 31, 2001; 6% in 2002; 7% in 2003; and 8% in 2004
28 and thereafter;

29 (5) Each security employee of the Department of
30 Corrections or of the Department of Human Services who is a
31 covered employee, 0.5% for a widow or survivors annuity
32 plus the following amount for retirement annuity: 5%
33 through December 31, 2001; 6% in 2002; 7% in 2003; and 8%
34 in 2004 and thereafter;

35 (6) Each security employee of the Department of
36 Corrections or of the Department of Human Services who is

1 not a covered employee, 1% for a widow or survivors annuity
2 plus the following amount for retirement annuity: 8.5%
3 through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and
4 11.5% in 2004 and thereafter.

5 (b) Contributions shall be in the form of a deduction from
6 compensation and shall be made notwithstanding that the
7 compensation paid in cash to the employee shall be reduced
8 thereby below the minimum prescribed by law or regulation. Each
9 member is deemed to consent and agree to the deductions from
10 compensation provided for in this Article, and shall receipt in
11 full for salary or compensation.

12 (Source: P.A. 92-14, eff. 6-28-01.)

13 (40 ILCS 5/14-152.1)

14 Sec. 14-152.1. Application and expiration of new benefit
15 increases.

16 (a) As used in this Section, "new benefit increase" means
17 an increase in the amount of any benefit provided under this
18 Article, or an expansion of the conditions of eligibility for
19 any benefit under this Article, that results from an amendment
20 to this Code that takes effect after June 1, 2005 (the
21 effective date of Public Act 94-4) ~~this amendatory Act of the~~
22 ~~94th General Assembly~~. "New benefit increase", however, does
23 not include any benefit increase resulting from the changes
24 made to this Article by this amendatory Act of the 94th General
25 Assembly.

26 (b) Notwithstanding any other provision of this Code or any
27 subsequent amendment to this Code, every new benefit increase
28 is subject to this Section and shall be deemed to be granted
29 only in conformance with and contingent upon compliance with
30 the provisions of this Section.

31 (c) The Public Act enacting a new benefit increase must
32 identify and provide for payment to the System of additional
33 funding at least sufficient to fund the resulting annual
34 increase in cost to the System as it accrues.

35 Every new benefit increase is contingent upon the General

1 Assembly providing the additional funding required under this
2 subsection. The Commission on Government Forecasting and
3 Accountability shall analyze whether adequate additional
4 funding has been provided for the new benefit increase and
5 shall report its analysis to the Public Pension Division of the
6 Department of Financial and Professional Regulation. A new
7 benefit increase created by a Public Act that does not include
8 the additional funding required under this subsection is null
9 and void. If the Public Pension Division determines that the
10 additional funding provided for a new benefit increase under
11 this subsection is or has become inadequate, it may so certify
12 to the Governor and the State Comptroller and, in the absence
13 of corrective action by the General Assembly, the new benefit
14 increase shall expire at the end of the fiscal year in which
15 the certification is made.

16 (d) Every new benefit increase shall expire 5 years after
17 its effective date or on such earlier date as may be specified
18 in the language enacting the new benefit increase or provided
19 under subsection (c). This does not prevent the General
20 Assembly from extending or re-creating a new benefit increase
21 by law.

22 (e) Except as otherwise provided in the language creating
23 the new benefit increase, a new benefit increase that expires
24 under this Section continues to apply to persons who applied
25 and qualified for the affected benefit while the new benefit
26 increase was in effect and to the affected beneficiaries and
27 alternate payees of such persons, but does not apply to any
28 other person, including without limitation a person who
29 continues in service after the expiration date and did not
30 apply and qualify for the affected benefit while the new
31 benefit increase was in effect.

32 (Source: P.A. 94-4, eff. 6-1-05.)

33 Section 99. Effective date. This Act takes effect upon
34 becoming law.